

INTERNAL REVENUE SERVICE

DEPARTMENT OF THE TREASURY

DISTRICT DIRECTOR

Date: DEC 1 1997

>In Reply Refer to:

>Person to Contact:

>Contact Telephone Number:

Dear Sir or Madam:

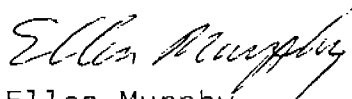
On , you signed a statement which indicated you were in agreement with revocation of your exempt status under section 501(c)(6) of the Internal Revenue Code.

Therefore, effective , your exempt status under section 501(c)(6) of the Code is revoked. You are now required to file Federal income tax returns on Form 1120 for all periods beginning on or after

This is a final adverse determination of your exempt status under section 501(c)(6) of the Code.

If you have any questions, please contact the person whose name and number appear above.

Sincerely,



Ellen Murphy
Acting District Director

DIL
501.06-01
501.06-02

Internal Revenue Service

District Director

Department of Treasury

Date:

Person to Contact:

Contact Address:

Contact Telephone number:

Dear Officers:

We have completed our examination of your Form 990 for the period ended . It has been determined that your exempt status should be revoked.

The enclosed report of examination states the basis for the revocation. You have concurred with our determination and have signed an agreement to that effect on the attached Form 6018. Accordingly, your exemption from Federal Income tax under section 501(c)(6) of the Internal Revenue Code has been revoked effective

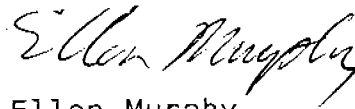
This is a final adverse determination of your exempt status under section 501(c)(6) of the Internal Revenue Code.

As a non-exempt organization, you are now required to file Form 1120, "U.S. Corporate Income Tax Return." We have secured the delinquent Forms 1120 for the period ended

You should retain this report with your permanent records for future reference.

Thank you for your cooperation.

Sincerely yours,



Ellen Murphy
Acting District Director

Enclosure: Form 886-A, "Explanation of Items"
Form 6018, "Consent to Proposed Adverse Action"

Form 886-A	EXPLANATION OF ITEMS	Schedule No. or Exhibit
Name of Taxpayer		Year/Period Ended
		&

FACTS:

was incorporated on as an IRC 501(c)(6). Analysis of the activities, revenues, and expenditures of tp for the three year period ending and has disclosed that the primary purpose of the organization is to provide benefits to members by providing health insurance, workers' compensation insurance, garage liability, a uniform program, bankcard program, office supplies program, and collection service. When these programs are profitable the members receive dividends.

Analysis of the gross revenues per the books compared to the income reported per the 990-T return for indicates that unrelated business income (UBI) comprises 22%, 59%, and 52% respectively of total income for However, the taxpayer netted on the returns and the percentages may be slightly higher.

The bookkeeper spends 75% of her time, the receptionist 60% of her time, and the executive director spends 60% of her time on unrelated activities. These percentages were used to allocate payroll on the 990-T returns.

LAW & ARGUMENT:

Internal Revenue Code 501(c)(6) exempt from Federal income tax business leagues, chambers of commerce, real-estate boards, boards of trade, or professional football leagues (whether or not administering a pension fund for football players), which are not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Furthermore, Reg. 1.501(c)(6)-1 states: **Business leagues, chambers of commerce, real estate boards, and boards of trade.** A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self sustaining, is not a business league. An association engaged in furnishing information to prospective investors, to enable them to

Form 886-A	EXPLANATION OF ITEMS	Schedule No. or Exhibit
Name of Taxpayer		Year/Period Ended & -----

make sound investments, is not a business league, since its activities do not further any common business interest, even though all of its income is devoted to the purpose stated. A stock or commodity exchange is not a business league, a chamber of commerce, or a board of trade within the meaning of section 501(c)(6) and is not exempt from tax. Organizations otherwise exempt from tax under this section are taxable upon their unrelated business taxable income. See part II (section 511 and following), subchapter F, chapter 1 of the Code, and the regulations thereunder.

The tp is not entitled to exemption from Federal income tax as an organization described in IRC 501(c)(6) since the primary activity is providing benefits to members such as health insurance, workers' compensation insurance, garage liability, a uniform program, bankcard program, office supplies program, and collection service. These activities constitute the performance of particular services for members rather than an activity directed towards the improvement of business conditions generally as required by the applicable regulations.

/ does not qualify as an organization that is organized and operated correctly as a Business League as described in IRC section 501(c)(6). Revocation of their tax-exempt status is warranted, dating back to

TAXPAYER'S POSITION:

The taxpayer agrees to the revocation.

GOVERNMENT'S POSITION:

We hold that the taxpayer no longer qualifies to be tax exempt under IRC 501(c)(6) for the reasons described above. As a taxable entity, you are required to file Form 1120, U.S. Corporation Income Tax Return for the periods open under statute. Under 6501(g) these periods include:
and